

### **Contributions for Government Social Insurance**

Contributions for government social insurance consists of employer contributions for government social insurance and employee and self-employed contributions for government social insurance (formerly call personal contributions for social insurance). It is deducted in the calculation of personal income.

Contributions for government social insurance accounts for 8.4 percent of personal income. Employer contributions for government social insurance is 49 percent of the total in 2002, while employee and self-employed contributions for government social insurance makes up the other 51 percent (table G).

### **Employer Contributions for Government Social Insurance**

Employer contributions for government social insurance is also included in supplements to wages and salaries. A list of the components included in employer contributions for government social insurance and the methodology used to prepare the estimates are available in the Supplements to Wages section of the methodology. These components account for 4.1 percent of personal income (table G).

### **Employee and Self-employed Contributions for Government Social Insurance**

Employee and self-employed contributions for social insurance consists of the payments by employees, by the self-employed, and by other individuals who participate in the following programs: Old-age, survivors, and disability insurance (OASDI, or social security); hospital insurance (HI) and supplementary medical insurance (medicare); railroad retirement; state unemployment insurance; temporary disability insurance; and veterans life insurance.

These contributions accounted for about 4.3 percent of personal income at the national level in 2002 (table G).

Payments of contributions by employees--like their payments of income taxes on wages and salaries--are "withheld" at the source of the disbursement of the wages and salaries. The self-employed, on the other hand, pay their contributions with their quarterly payments of estimated Federal individual income taxes or annually with their federal income tax returns.

### **Contributions for OASDI and HI**

Contributions for OASDI and HI consist of payments by the employees and of payments by the self-employed.

**Contributions by employees.**--These contributions are made by the employees of private sector employers and by the employees of Federal, state, and local governments who are covered by, and who therefore contribute to, the OASDI and HI programs.

Most of the employees are covered by, and contribute to, both the OASDI and HI programs. Employees of the railroad industry are covered by the HI program but not by the OASDI program, as are Federal employees who are covered by the Civil Service Retirement System.

The national estimates of the contributions are based on data from the Social Security Administration.

The state estimates are prepared separately for private sector employees, for Federal civilian employees, for state and local government employees, and for military personnel.

The state estimates of the contributions by private sector employees and by Federal civilian employees are each prepared in proportion to the state estimates of wage and salary disbursements for these employees.<sup>1/</sup> The state estimates of the contributions by military

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1. Before the 1996 comprehensive revisions, these estimates were based on direct sample data provided by the Social Security Administration (SSA). However, SSA recently discontinued this series because it had become unreliable.

personnel are prepared in proportion to the state estimates of military wage and salary disbursements excluding pay-in-kind.

The state estimates of the contributions by state and local government employees for 1992-2002 are based on the state estimates for 1987, as reported in the 1987 Census of Government.<sup>2/</sup> The 1987 state estimates were extrapolated to 1992-2002 by the relative change in the estimates of state and local government wage and salary disbursements. The wage data were adjusted to reflect coverage rates under OASDHI for state and local government employees in each particular state. These coverage rates were provided by the Social Security Administration.

**Contributions by the self-employed.**--All of the self-employed whose annual self-employment income exceeds \$400 are covered by, and contribute to, the OASDI program and the HI program.

The state estimates of these contributions are based on results from a 1-percent sample of these contributions by the self-employed published in the Social Security Administration's Social Security Bulletin. Because the state data for a year are not available until 2 years after the end of the year, the estimates for 1999 were extrapolated to 2000-2002 by the change in the state estimates of nonfarm proprietors' income.

### **Contributions by employees for the other programs**

**Contributions for railroad employee retirement insurance.**--The national and state estimates of the employee contributions for this federally administered program are based on

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2. The data reported in the census are employer contributions, which are assumed to be identical to the employee contributions because the contribution rates for these programs are identical for employers and employees.

These data were not collected in the 1992 Census of Governments.

data from the Railroad Retirement Board (RRB) on the wages and salaries that are subject to the contributions. The data used for the state estimates, which are reported by RRB on a place-of-residence basis, are converted by BEA to a place-of-work basis using journey-to-work data from the 2000 Census of Population.

#### **Contributions for state unemployment insurance and for temporary disability**

**insurance.**--The contributions for state unemployment insurance consist of the payments by employees in Alabama (1969-70 and 1975-85), Alaska, New Jersey, and Pennsylvania (1984-88 and 1992-96). The national and state estimates of these contributions are based on unpublished data from the states.

The contributions for temporary disability insurance are the payments by the employees who are covered by, and contribute to, the insurance programs in California, New Jersey, and Rhode Island. The national and state estimates of these contributions are based on data from the Census Bureau's annual State Government Finances and from the "California Disability Insurance Fund Report."

#### **Contributions for supplementary medical insurance and for veterans life insurance**

**Contributions for supplementary medical insurance.**--These contributions are the premiums that are paid by the individuals who are enrolled in the voluntary supplementary medical insurance part of medicare.

The national estimate of these contributions is based on data from the Monthly Treasury Statement. The national estimate is allocated to states in proportion to the number of individuals who are enrolled in the program and whose premiums are not paid by state governments. The enrollment data are provided by the Centers for Medicare and Medicaid Services(CMS), formerly the Health Care Financing Administration.

**Contributions for veterans life insurance.**--These contributions are the premiums that are paid by veterans for life insurance under the five life insurance programs administered by the Department of Veterans Affairs (DVA).

The national estimate of these contributions is based on unpublished data provided by DVA. The state estimates are based on summations of the data for the premiums from DVA'S Government Life Insurance Programs for Veterans and Members of the Services, Annual Report.